

**INTEGRATED SAFEGUARDS DATA SHEET  
APPRAISAL STAGE**

**Report No.: ISDSA12530**

**Date ISDS Prepared/Updated:** 15-Mar-2015

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**I. BASIC INFORMATION**

**1. Basic Project Data**

<b>Country:</b>	Ghana	<b>Project ID:</b>	P151447
<b>Project Name:</b>	Ghana: Public Financial Management Reform Project (P151447)		
<b>Task Team Leader(s):</b>	Ismaila B. Ceesay		
<b>Estimated Appraisal Date:</b>	26-Feb-2015	<b>Estimated Board Date:</b>	21-May-2015
<b>Managing Unit:</b>	GGODR	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General public administration sector (100%)		
<b>Theme(s):</b>	Public expenditure, financial management and procurement (100%)		
<b>Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?</b>			No
<b>Financing (In USD Million)</b>			
Total Project Cost:	45.00	Total Bank Financing:	45.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			45.00
Total			45.00
<b>Environmental Category:</b>	C - Not Required		
<b>Is this a Repeater project?</b>	No		

**2. Project Development Objective(s)**

The project development objective (PDO) is to improve the budget management, financial control and reporting of the Government of Ghana.

**3. Project Description**

The main objective of the project is to assist the Government of Ghana in improving the budget management, financial control and reporting. As such, it has four components and related sub-

components, as elaborated below.

Component 1: Enhancing Budget Credibility (US\$1.7 million). The objective of this component is to improve budget management and strengthen credibility of the national budget.

Sub-component 1.1: Strengthening Budgetary Planning and Macro-Fiscal Management (US\$0.6 million)

Objective. The objective of this sub-component is to establish and strengthen controls on all claims on fiscal resources.

Current Status. Sector Medium Term Development Plans (SMTDP) fail to provide a clear linkage between national planning and resources allocated in the budget and are a source of pressure on budget resources. The PFM Reform Strategy notes that accurate costing of plans is a significant weakness, and that SMTDPs are not resource constrained, resulting in over-ambitious “wish-lists” that cannot be reconciled with the Medium Term Fiscal Framework (MTFF). These plans are not integrated with the preparation of budget strategy or the formulation of budget ceilings.

Fiscal forecasts prepared each year by the Economic Research and Forecasting Division (ERFD) need further strengthening. Forecasts are undertaken as a collaborative effort with the GRA, Budget Department, DMD, External Resource Mobilization Unit, Bank of Ghana, and other stakeholders.

Initial estimates are prepared in June, and are used for the purpose of preparing Budget Ceilings for the following year’s budget. Reforecasting takes place in November and these estimates are used in the budget documentation. The PFM reform strategy lists the following as weaknesses in this system: revenue forecasts can often include proposals for new revenue initiatives that are not subsequently implemented or are delayed; inadequate data is available to forecasters on potential tax payers and the levels of tax compliance; unanticipated external shocks can diminish the accuracy of estimates; and wage negotiations are often finalized after the budget, making forecasting difficult.

Debt management needs strengthening to ensure that data on accruing debt is well maintained and debt is appropriately sourced and sustainable. The recent ECF arrangement with the IMF has placed limits on the extent to which BoG financing can be used and these requirements will place more pressure on the Debt Management Division (DMD) of the Ministry of Finance (MoF), which already has limited capacity.

Activities to be Financed. The project proposes the following interventions to assist the Government to improve planning and forecasting performance. i) Review and strengthen Cabinet’s formal engagement in the budget process and design a “budget charter” that would establish the principles, roles and obligations of key stakeholders in a sound budget process; ii) design a strengthened budget framework paper to be used as a vehicle for obtaining Cabinet approval to medium term forecasts of fiscal space; iii) build MDA capacity to develop costed sector strategies and sector medium-term development plans (SMTDPs); iv) strengthen technical linkages and information sharing between fiscal forecasting and analysis and the budget formulation and execution processes; and specialist on-going training for forecasters in ERFD; v) provide technical training to ERFD forecasting staff; and vi) Strengthen capacity in the DMD. In addition, the project will support the Minister of Finance’s critical role in managing expectations of his cabinet colleagues and other key stakeholders regarding the affordability of line ministry’s capital and recurrent spending plans, through the change management component of the project.

Expected Outcome. By the end of the project it is expected that: a) budget discipline will be strengthened by review and strengthening of fiscal strategy presentation in the Budget Framework Paper and clarification of shared Cabinet responsibilities and the necessity of a joint application of the MTFF; and b) Sector medium term strategy plans will be comprehensively costed and provide a sound input for the development of annual budget ceilings.

### Sub-component 1.2: Strengthening Public Investment Management Capacity (US\$0.3 million)

**Objective.** The objective of this sub-component is to ensure that all investment projects for financing through the budget are selected, appraised and prioritized in relation to available fiscal space.

**Current Status.** The Public Investment Program in Ghana is still experiencing serious problems due to weak systems, budgetary indiscipline, and weak capacity. Implementation of projects is slow, cost blow-outs are frequent and many projects remain uncompleted. Serious reform to systems and practices are necessary and capacity needs to be upgraded.

The Public Investment Division (PID) in the MoF has a formal responsibility for project appraisal and prioritization and for providing inputs to the budget process. However, this function appears fragmented. The PID is still trying to find its feet and suffers from lack of budgetary resources (e.g. to engage consultants for appraisal of projects, feasibility studies, etc.) and a lack of specific project appraisal capacity.

The PID has recently received assistance from DFID as well as USAID to develop the Public Investment Management System (PIMS). The database contains all contract information and can identify outstanding payments for current projects, and is interfaced with the budget preparation module of GIFMIS. PID is managed by the Public Investment Unit, which comprises six officers. These officers, while trained economists, require specialist skills in project appraisal. PID has also received support from the World Bank to develop a draft Public Investment Management Policy.

Government has not yet approved the policy.

**Activities to be Financed.** The main activities will be: i) improving capacity to ensure effective evaluation and ‘whole-of-Government’ prioritization of projects before they enter the budget process, by engaging TA to provide a 4-6 week course, to the staff of Public Investment Unit (of PID) and up to 24 staff of other MDAs; ii) improving coordination of PIM with the budget process developing by a detailed procedural manual for the PIM and training MoF and MDAs in the process; iii) reviewing the functionality of the Public Investment Management System (PIMS) to ensure that the system will adequately support the determined processes. This will be complemented by policy actions in the DPF operations strengthen the role of the Ministry of Finance in ensuring that capital projects that are financed are both useful and affordable.

**Expected Outcome.** By the end of the project an orderly process should be established to ensure that all projects submitted are appropriately prepared for funding through the budget and prioritized within clearly defined resource limits; the rate of timely completion of projects within budgets should be increased as a result.

### Sub-component 1.3: Strengthening the Budget Operational Framework (US\$0.6 million)

**Objective.** The objective of this sub-component is to implement improved management practices to improve the performance of public spending at MDA level while ensuring that the predictability of resource flows for budget implementation is improved.

**Current Status.** The 2015 Budget was prepared using the Hyperion module linked to Oracle, using the common national chart of accounts to ensure seamless loading to the General Ledger for execution, and appropriation was in a program format. Program structures have been developed for all MDAs along with program and sub-program narratives and key performance measures and targets. Program appropriations will be managed in budget execution for the first time during 2015, so performance improvements have yet to materialize in spending units. It is also clear that the benefits of PBB will not materialize until basic controls over inputs (cash, people and assets) are operational.

**Activities to be Financed.** The activities funded through the project will include: i) TA to advise the Budget Department on the changes required to ensure the benefits of PBB are maximized; ii) TA to review MDA program structures, performance measures and targets, and narratives over the period of the project; and refresher training for MDAs implementing PBB; and iii) on-going training for

MDAs in PBB, and iv) facilitation of an intense engagement between MoF and MDAs with a view to identify service delivery problems in MDAs and to use PBB as a tool to address these progressively, through the change management component (see below).

Expected Outcome. By the end of the project, it is expected that a) management by programs will be embedded in MoF and MDA systems and processes and all stakeholders will have confidence in the program structure, performance measures and targets; and b) there will be improvements in service delivery performance in at least two MDAs.

#### Sub-component 1.4: Fiscal Risk Management and Reporting (US\$0.2 million)

Objective. The objective of this sub-component is to establish comprehensive systems for monitoring and review of all sources of risk to the planned budget out-turn to enable timely mitigation of these risks.

Current Status. Although risks, particularly from external shocks, are taken into account in fiscal forecasting, no mechanism is in place nor have organizational responsibilities been allocated for surveying all potential risks to the budget and fiscal position and taking these risks into account. Responsibilities for assessing some aspects of risk are distributed among various MoF departments (including PIM, which also covers financial appraisal of state holdings in corporate entities).

Proposals to establish a single entity to monitor financial risks from the state enterprise sector, including augmentation of the role of the DMD, are under consideration.

Activities to be financed. The main activities will be as follows: i) Designate an entity and develop a comprehensive system for monitoring expenditure arrears and other risks arising from the CF, SOEs, and other sources; ii) TA to review current risk analysis and reporting practices by existing entities and recommend an appropriate organization and mandate to take over the function of risk analysis and development of risk mitigation policy; iii) Build capacity and establish the authority for the entity to carry out its functions effectively; and iv) develop a fiscal risk statement as a regular part of the budget presentation.

Expected outcome. The main outcome will be that fiscal risk monitoring will become institutionalized as an established part of the budget process. This will both strengthen the authority of the responsible entity and demonstrate the commitment of the Government to comprehensive management of fiscal risks.

Component 2: Public Financial Management Systems and Control (US\$33.7 million). The objective of this component is to support the design, development, implementation and coverage of the Government's PFM systems and control.

#### Sub-component 2.1: Strengthening Government Information Systems (US\$29.0 million)

Objective. The objective of this sub-component is to complete the work started in the previous project on the design, development, implementation and coverage of the GIFMIS (IFMIS, HRMIS, Hyperion, Payroll and systems interfaces) to enable them to function as tools for improved fiscal management and budgetary control, cash and debt management, timely and accurate reporting for better economic management and effective service delivery.

Current Status. A summary of the key achievements of the previous project are: implementation of a Harmonized Chart of Accounts compliant with international standards, for all financial transactions at all levels of Government, throughout the country; progress towards setting up a Treasury Single Account (TSA); implementation of a state of the art GIFMIS to serve as the official system of record to meet the GoG's budget, financial accounting and reporting, disbursements, internal controls, and auditing requirements. The GIFMIS covers both the Budget Preparation (Hyperion) and the full range of activities in Budget Execution and also includes modules for Payroll preparation and HRMIS, details on system deployment and other technical aspects are given at Annex 2. GIFMIS

did not aim to cover the design of policies but only their implementation through the provision of the requisite tools and enabling facilitation.

Activities to be Financed. The GIFMIS has established a transaction-processing platform for budget management, but gaps remain in coverage of this transaction processing which limit the delivery of comprehensive and credible information required for the financial operations and the economic management and statutory reporting layers. The new project will enhance the coverage to address these gaps, so as to improve the quality of fiscal and statutory reporting for better economic management. The key activities to be undertaken in this area can be divided into three groups:

a. (I) Enhancements in the coverage of the Budget and Financial Systems Modules of the GIFMIS including: (a) roll out of Budget Preparation module (Hyperion) to the MDAs; (b) extending GIFMIS footprint, including the P2P process, to capture and track transactions related to the IGFs, statutory funds and donor funds; (c) extending GIFMIS roll-out to all the remaining MMDAs - around 216 in total; (d) Public Investment Management – executing the planning process for public investment management through Hyperion- currently being supported through PIMS; (e) recording of long-term commitments; (f) implementation of electronic bank reconciliation for the main treasury account as well as the sub-consolidated fund accounts; (g) operationalization of GIFMIS interfaces with other key Government systems, including TRIPS for tax management, e-Monitor for non-tax receipts, GCMS for customs revenue management. Details are given in Annex 1.

b. (II) HRMIS roll-out: The focus will be on completing the establishment registers for the remaining Government workforce, completing the rollout of the HRMIS core application, including establishment and profile management, to enhance its coverage to all MDAs, service commissions and 10 regions, and implementation of additional HR core applications; Talent management modules like e-Recruitment, learning management and performance management will be out of scope; development of interface between HRMIS and Hyperion to exchange establishment information.

c. (III) Technology Infrastructure: This will include hardware and implementation services for setting-up the disaster recovery systems (retroactive financing); refurbishment of primary data center; improving and extending network connectivity through National Information Technology Authority (NITA); other hardware/software enhancements; maintenance fee for the software licenses; technical support. In each of the above areas, the Bank will support the expenditures for consulting services, hardware, software, training, and capacity building as given in the Annex 3.

Expected Outcome. The system enhancements listed above will strengthen capacity to address the key budget management issues highlighted by the authorities in the PFM Reform Strategy.

Enhancements in the coverage and usage of the budgeting and financial modules of the GIFMIS will support actions to develop a credible budget and monitor expenditures against Government programs and projects; GIFMIS functionality is critical to the provision of comprehensive and timely information Government wide on commitments and expenditure arrears, expenditures and receipts including, the Consolidated Fund (CF), the Internally Generated Funds (IGFs), the Statutory Funds (SFs) and Donor Funds, and also the actual cash position of the Government. Technical investments in these areas will not in and of themselves be sufficient to address the underlying issues related to recruitment, promotion and remuneration in the public sector; as well as to discipline in budget management. The change management component of the project will focus on translating these technical investments into behavioral changes through a problem driven approach. The project will also benefit from complementary policy and institutional reforms from the Bank DPF operation and the IMF program.

#### Sub-component 2.2: Cash and Treasury Management (US\$0.2 million)

Objective. The objective of this sub-component is to strengthen the management of cash and debt to minimize net interest cost, ensure cash is available to meet commitments and obligations for service delivery and eliminate CF arrears accumulation.

**Current Status.** Good progress is being made in establishing a TSA to reduce net borrowing and improve cash management. As of June, 2014 over 11,500 bank accounts have been identified across all Government institutions for rationalization. Of this number, 2000 have been closed and 700 have been earmarked for the TSA and the remaining 8,800 includes Commercial Bank accounts used for managing IGFs, Donor Funds and statutory funds across MDAs and MMDAs. Cash forecasting, cash and debt management, and controlling warrant release in line with forecast cash, however, remain very weak; the most critical weakness is that warrants are released beyond the available cash, giving rise to commitments that are likely not to be met during the year and accumulation of expenditure years.

**Activities to be Financed.** The main activities under this sub-component will be (i) developing a cash flow forecasting model, better forecasts of MDA requirements, and a cash management database; (ii) strengthening capacity of the Cash Management Working Group (CMWG) to improve control of budget execution by issuing expenditure warrants only on the basis of cash availability; (iii) broadening the coverage of the TSA; and (iv) implement electronic bank reconciliation for CF and sub-CF accounts.

**Expected Outcome.** Control of warrant release within expected cash receipts combined with progressive improvement in cash flow forecasting, will halt the accumulation of arrears and send strong signals to MDAs that spending plans must be adjusted. Establishing a comprehensive TSA will reduce borrowing requirements and costs for the GoG. This will be complemented by a credible commitment from the Ministry of Finance to only honor invoices supported by commitments made in the GIFMIS, going forward.

#### Sub-component 2.3: Strengthening Internal Audit Capacity (US\$0.8 million)

**Objective.** The primary objective of this sub-component is to strengthen the internal audit function at the Internal Audit Agency (IAA) and across MDAs & MMDAs with particular emphasis on providing technical assistance in the form of targeted ICT enhancement capacity building and reset the focus of internal auditing to a more risk based approach and equip the auditors with the skills to audit through the automated systems.

**Current Status.** As at the end of December 2014, there were 390 Internal Audit Units (IAUs) established out of a possible 395 and 333 ARICs out of a possible 395 across MDAs and MMDAs. Over the years, many IAUs have concentrated on carrying out pre-auditing of Payment Vouchers at the detriment of internal control review and evaluations. To a large extent, these issues reflect lack of capacity. In the case of MMDAs, however, IAUs are required by law to do pre-audit of payment vouchers. A substantial effort will therefore be required to improve technical capacity and move towards meeting International Standards for the Professional Practice in Internal Auditing.

**Activities to be Financed.** The activities to be financed include TA support for strengthening internal audit functions. These include: (i) providing additional operational resources and tools (e.g. computers: hardware) to roll out the training and capacity building programs for improving the ICT skill of staff of IAA and IAU in the MDAs & MMDAs; (ii) designing, developing and roll out of quality assurance programs; (iii) strengthening the role of ARICs in follow-up actions on internal audit reports as part of the oversight function; (iv) training IAU management to support Government's efforts at implementing Enterprise Risk Management (ERM) across MMDAs; and (v) provide consultancy and operational support in the conduct of specialized audits in collaboration with GAS to assist IAUs in undertaking procurement audits, payroll audits, system based audit and risk based audits, etc.

**Expected Outcome.** It is expected that the interventions under the project will provide the necessary hardware for each Internal Audit Unit in order to gain access to Computer Assisted Auditing Techniques (CAATs) tools, and develop competencies in the use of these applications. Key staff will be identified as candidates to become Certified Information Systems Auditors (CISA). Review of

linkages between the IAA, the Auditor General, parliamentary committees, and the ARICs should ensure that stronger measures are taken to follow-up audit findings. Such capacity will enable auditors to test program controls and large volumes of data at related location. Application of Value for Money (VFM) audit will help assess cost-effectiveness of Government operations.

**Sub-component 2.4: Public Procurement Planning, Management and Capacity (US\$2.0 million)**  
**Objective.** The overall objective of this sub-component is to improve procurement planning and enhancement of economy, efficiency, transparency and accountability of the procurement process.  
**Current Status.** Under the leadership of the Public Procurement Authority (PPA), Ghana procurement reforms have progressed well over the years with the following notable achievements: preparation of procurement tools including draft procurement regulations, Manuals, Standard Bidding Documents and various Policy Guidelines; establishment of information systems; development and delivery of various training programs to public and private sector practitioners and policy makers including contractors, suppliers and consultants; development of a Public Procurement Model of Excellence (PPME) tool for measuring performance of procuring entities; establishment of an Appeals and Complaints Panel for the successful administrative review; introduction and implementation of the Sustainable Public Procurement concept; Publication and Launch of the Scheme of Service for Procurement Class of the Civil/Local Government Service; and preparation for the introduction of e-procurement.

Notwithstanding the above achievements, the procurement system in Ghana has a number of weaknesses and bottlenecks which need to be addressed as soon as possible. These weaknesses include: weak procurement planning; weak procurement capacity in the public and private sectors, and third party monitoring organizations; lack of reference price data base for infrastructure; lack of private sector confidence in public procurement resulting in low competition; perceived existence of fraud and corruption in the procurement process; and weak/non-functional procurement units in many procuring entities.

**Activities to be Financed.** The following activities will be financed under the sub-component to address the weaknesses identified: (a) enhancing the existing Online Procurement Planning (PP) Tool and linking it to the Hyperion Budget Planning Tool that is already linked to the GFMIS using technical assistance and goods; (b) integrating/interfacing the e-procurement system, when completed under the e-Transform project, with the GIFMIS; (c) implementing the Amendments to the Public Procurement Act, 2003 through dissemination and training; (d) carrying out Procurement Value Chain Analysis through consultancy services; (e) establishing Unit Cost of Infrastructure in Ghana through consultancy services; (f) establishing Functional Procurement Units in Procuring Entities through training and consultancy services; (g) outreaching the local private sector to build capacity of contractors, suppliers and consultants to be able to submit responsive tenders through dissemination workshops; (h) enhancing Legal and Regulatory Capacity of PPA Staff through purchase of goods, training and consultancies; and (j) preparing a framework for carrying out Procurement Audits through consultancies and training.

**Expected Outcome.** The overall outcome expected from these activities is the achievement of improved efficiency and integrity in the procurement process and value for money in budget execution.

**Sub-component 2.5: Strengthening Payroll and Pensions Management (US\$0.9 million)**  
**Objective.** The objective of this component is to enhance the integrity of payroll and its compliance with the approved establishments.

**Current Status.** Payroll has been upgraded from Oracle V 11 to V 12; integration of payroll with GIFMIS completed; integration of establishment registers with the payroll in advance stages of completion; Payroll Cleaning Plan has been prepared and is being implemented.

Activities to be Financed. The focus will be to support the Government in implementing the Payroll Cleaning Plan, approved by the Cabinet, and already being implemented by the CAGD, under supervision of the Ministerial Committee of the Cabinet. Key activities include consultancies for payroll and personnel verification audits to remove ghost workers and to further strengthening of systems controls in support of unification of education and pension payroll (IPPD3) with the main Government payroll (IPPD2) on GIFMIS under sub-component 2.1.

Expected Outcomes: The outcome of this would be enhanced fiscal sustainability through control on the wage bill in compliance with the budget. This will be complemented by actions under the IMF program, and Government own efforts outlined in the CAGD strategy on payroll controls.

**Sub-component 2.6: Improving Financial Reporting and Asset Management (US\$0.8 million)**

**Objective.** The objective of this sub-component is to improve Government financial reporting in terms of completeness, consistency, and compliance with international standards.

**Current Status.** A roadmap for migration from the current modified cash framework being used by GoG to accruals IPSAS has been put in place by the MoF's Working Group but limited progress has been achieved. Currently the Controller and Accountant General's Department (CAGD) financial reporting is restricted to reporting CF transactions, but, as noted in other activities, steps are being taken to exercise the option of broader reporting on all budgeted funds including IGFs and SFs. In the longer term, reporting requirements will be revised as part of a comprehensive review of the Finance Act and Financial Administration Regulations (see Component 1). Little emphasis has yet been given to establishing systems for effective management of Government fixed assets, though a beginning has been made to establish a fixed assets register using the GIFMIS fixed assets module.

**Activities to be Financed.** Under the implementation authority of the CAGD, and with collaboration from the Institute of Chartered Accountants of Ghana (ICAG), the sub-component will finance capacity building activities relating to financial reporting and implementation of International Public Sector Accounting Standards (IPSAS), including: (i) development and implementation of a national professional qualification curriculum at the ICAG for public sector accountants and auditors that includes IPSAS; (ii) development and implementation of IPSAS-based Continuing Professional Development (CPD) program; (iii) development and implementation of certification program on practical application of IPSAS; (iv) establishment of a laboratory at the ICAG for providing practical training to trainee accountants through simulation techniques; (v) upgrade of ICAG's website to provide technical knowledge and access to latest learning materials to all professionals in the country; (vi) and technical assistance on IPSAS rollout and implementation. On asset management, the project will support continuing steps to establish a basis for management of Government fixed assets through (i) wider deployment of the GIFMIS Fixed Assets module; (ii) development of a national policy for management of Government assets; and (iii) incorporation of adequate legal provisions in revised PFM legislation and regulations.

**Expected Outcome.** The project will support to transition the GoG towards IPSAS compliance through the creation of a stronger cadre of public sector accountants and auditors to apply and monitor these standards, and also establish a sound basis for monitoring and managing its stock of fixed assets.

**Component 3: Reinforcing Financial Oversight and Accountability (US\$2.0 million).** The objective is to enhance external audit capacity as well as legislative oversight over budget management.

**Sub-component 3.1: External Audit Capacity Strengthening (US\$1.4 million)**

**Objective.** The objective of this sub-component is to strengthen the financial oversight role of the GAS to enable them to carry out comprehensive performance and systems-based audit on Government financial operations. Broadly speaking the component aims at building the capacity of

GAS for effective scrutiny and transparency in the management of public finances, and facilitating collaboration between GAS and other accountability agencies such as the Parliamentary Oversight Committees (POC).

**Current Status.** Given the ongoing reforms, and other related activities on the public financial management landscape in Ghana, such as the introduction of the financial information system (GIFMIS), adoption of international accounting standards (IPSAS), move to accrual accounting and more commitment towards fiscal decentralization, etc., these have a direct impact upon the GAS's ways of working. There is thus the need for targeted and more focus support by donors in supporting the GAS better perform its oversight role and mandate.

**Activities to be Financed.** The following specific activities shall be financed under this sub-component: (i) provision of continuous training of GAS staff in electronic audit techniques; (ii) acquisition, installation and deployment of appropriate CAATs and other Audit Management Information System (AMIS); (iii) undertaking of selected performance and specialized audits using the electronic tools; (iv) strengthening capacity of the audit teams in completing audits of MMDAs within the statutory deadline of six months after end of fiscal year, through additional bought-out technical assistance; (v) technical assistance and consultancy for the improving the collaboration of the oversight functions of GAS and other accountability agencies; and (vi) support the funding of joint or partnership audits.

**Expected Outcome.** It is expected that the project will be able to build the capacity of GAS for timely completion of MMDA audits and improved coverage of audits through ICT-based audits, and strengthen engagement with Parliamentary oversight committees to effectively discharge their oversight functions, with a strong focus on compliance with financial controls.

#### Sub-component 3.2: Legislative Oversight (US\$0.6 million)

**Objective.** The objective of this sub-component is to enhance the capacity of the Legislature to exercise appropriate oversight over both upstream and downstream PFM processes to ensure transparency and accountability in public financial management.

**Current status:** Legislative Oversight of PFM is the responsibility of Parliament since it is the ultimate authority of Accountability in the country. The function of oversight on financial transparency and accountability is led by the Finance Committee (budget preparation and review) and the Public Accounts Committee (review of audit reports/ ex post accountability).

**Activities to be Financed.** These activities will focus on strengthening the operational capacity and effectiveness of the Finance Committee (FC) and the Public Accounts Committee (PAC) of Parliament. It will support the Parliament's capacity to scrutinize the budget documents, fiscal reports (and accompanying documents), and audit reports as required under the Government Financial Administration Act (Act 654) and the Financial Administration Regulations (LI 1802). Specific activities to be financed include: technical assistance to strengthen the technical capacity to support Parliamentarians in performing budget analysis as well as analysis of audited public accounts and reporting on audit report reviews/hearings; enhancing the technical and professional capacity of clerks of the two committees, equipment support and website improvement.

**Expected Outcome.** Enhanced legislative oversight leading to improved accountability of the executive in the management of public finances.

**Component 4: PFM Reform Coordination and Change Management (US\$7.6 million).** The objective of this component is to provide a continuing institutional and coordination basis for overseeing the implementation of the PFM Reform Strategy as a whole, as well as manage the implementation of the proposed project.

#### Sub-component 4.1: Project Management and Reform Coordination (US\$2.1 million)

Objective. The objective of this sub-component is to provide the administrative and operational structure for the seamless management and coordination of implementation of activities of the project by the various component managers. It will also be responsible for providing technical leadership in articulating, guiding and monitoring the overall PFM reforms across the Government of Ghana Status. The PFM reform Coordination Unit (PFMCU) established under the Chief Director's office, MoF will be the focal point for coordinating the PFM reforms under the PFM reform strategy. The GIFMIS project secretariat evolves into a project directorate for this PFM reform project. There is therefore a Government-led Project management unit which will continue, as under the GIFMIS, to carry out the overall coordination of the implementation of all the project components through the various program managers.

Activities to be financed. These will include technical assistance support to the PFMCU, goods including computers and accessories, operational expenses, and training/sensitization.

Expected Outcomes of the sub-component will be the availability of a strong coordination of the overall PFM reform and the reforms supported under the project.

#### Sub-component 4.2: Monitoring, Evaluation and Communication (US\$0.4 million)

Objective. The objective of this sub-component is to support management of the PFMRP and more generally implementation of the Public Financial Management Reform Strategy (PFMRS) through effective tracking of project activities to allow continuous assessment of performance, and provide quality feedback to project and program management, and all stakeholders and the public.

Current Status. A good basis for both Monitoring and Evaluation (M&E) and Communication has been established under GIFMIS. The lessons learned through the successful implementation of the GIFMIS platform will be transferable to the next phase of PFM development, but technical assistance will be needed to ensure successful application of the techniques to the broader scope of PFM management.

Activities to be Financed. M&E and Communication will play critical roles in a range of tasks: implementing the PFMRP; overall monitoring of the implementation of the PFMRS; guiding the establishment of M&E processes in all projects undertaken as part of PFMRS; and ensuring regular reliable reports to management and stakeholders.

Support under this sub-component will include the following activities: (i) Strengthening M&E capacity to coordinate work plans and identify key indicators of progress for each activity, and report to management and DPs on implementation of all activities, with a particular emphasis on indicators defined in the PFMRP Results Framework; (ii) Strengthening Public Financial Management Coordination Unit (PFMCU) and M&E capacity to develop the PFMRS Action Plan as a basis for reaching agreement on financial support for all activities envisaged in the PFMRS over an appropriate timeframe and within available resources; and (iii) Strengthening Communication to link closely with M&E by responding to areas of slow progress with appropriate change management activities, and by developing strong communication skills with regard to publicizing progress on the PFMRP and the overall progress of the PFMRS.

Expected Outcome. Establish an M&E and Communication capacity within the project to guide implementation and which can be sustained as a key element of the PFMRCU (and, in the longer term, for the MoF) to implement the current PFMRS and provide a basis for continuing development of the PFMRS and engagement of Development Partners in a coordinated process.

#### Sub-component 4.3: Project Financial Management and Procurement (US\$0.1 million)

This sub-component will support the implementation of the financial management and procurement arrangements for the project. Financial reporting under the project will follow the current GoG Chart of Accounts and other reporting templates and formats as recommended by CAGD. Procurement will be carried out in accordance with World Bank's Guidelines. Activities to be financed will be limited

to short-term procurement consultants to support preparation of complex procurement documentations under the project. Financial management will be carried out using the GoG accountants at no cost to the project.

#### Sub-component 4.4: Just-in-time Change Management (US\$5.0 million)

**Objective.** The focus of this sub-component is to provide the just-in-time interventions in new and arising reform activities that would be critical to leveraging the achievements of each of the components and sub-components of the project.

**Current Status.** The lessons learned in the implementation of the GIFMIS demonstrate that a number of critical stakeholder engagements were not capable of being funded out of the various sub-components due to the discrete nature of the funded activities. There was no focus on support to improving PFM at service delivery agencies beyond the provision of the tools and basic training in the use of the tools for budgeting and budget execution. The approach taken was primarily technical in the past, whereas the root causes of most PFM problems are clearly political in nature. This therefore necessitates the introduction of a new sub-component that will bring a problem-driven outlook to the reform effort.

**Activities to be Financed.** The sub-component, through consultancies, provision of goods, and dissemination workshops and targeted training, will finance: (a) in-depth PFM support for key service delivery agencies like Ghana Education and Ghana Health Service, through the identification of critical problems they experience in expenditure management processes at the centralized and decentralized levels, as well as the collective definition of home-grown, context-sensitive solutions to these problems; (b) stakeholders' workshops for better dissemination of PFM reform actions across all frontiers supported under the project; (c) ad hoc implementation needs, necessitated by changes in Government policy, across each of the first three components; and (d) support to the Government to implement policy reform changes introduced under development policy financing operations of donors as well as those introduced under the IMF Program.

**Expected Outcome.** Implementation of the sub-component will address the financing shortfalls for new and emerging activities that will contribute to delivering on the full intermediate and/or final outcomes under the project.

#### **4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will not have a physical footprint or prepare activities that may have a physical footprint. Therefore, no Safeguard Policies have been triggered.

#### **5. Environmental and Social Safeguards Specialists**

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	

Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

## II. Key Safeguard Policy Issues and Their Management

### A. Summary of Key Safeguard Issues

<b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b>
N/A
<b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b>
N/A
<b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b>
N/A
<b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b>
N/A
<b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b>
N/A

### B. Disclosure Requirements

<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>

### C. Compliance Monitoring Indicators at the Corporate Level

<b>The World Bank Policy on Disclosure of Information</b>		
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]    NA [ <input checked="" type="checkbox"/> ]

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]

### III. APPROVALS

Task Team Leader(s):	Name: Ismaila B. Ceesay	
<b>Approved By</b>		
Safeguards Advisor:	Name: Johanna van Tilburg (SA)	Date: 09-Apr-2015
Practice Manager/ Manager:	Name: Renaud Seligmann (PMGR)	Date: 09-Apr-2015